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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
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RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 5711
RUEHBJ/AMEMBASSY BEIJING 3426
RUEHKO/AMEMBASSY TOKYO 3290
RUEHIT/AMCONSUL ISTANBUL 3954
RUEKJCS/JOINT STAFF WASHDC
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 1168
RUEHVEN/USMISSION USOSCE 3935

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001223

SIPDIS

STATE FOR SCA/CEN; EEB; NEA/IR
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE

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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EIND](#) [TX](#)
SUBJECT: TURKMENISTAN: CENTRAL BANK CLAIMS REFORMS
FORTHCOMING

REF: A. ASHGABAT 1206
[1](#)B. ASHGABAT 1083

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY. The Turkmen Central Bank seems to be caught between Presidential orders to increase banking reforms on the one end, while receiving almost contradictory directives to increase its control of the banking sector. Current banking laws on the books date back to 1993. New banking legislation will most likely give the Central Bank more control. The Central Bank hailed its debit card and credit card pilot programs as banking reforms, but will not approve them country-wide before securing regulations to control their use. Despite legislation designed to improve banking services and provide more Turkmen citizens with more opportunities to own homes and small businesses, huge down payments continue to make these opportunities cost prohibitive for most. END SUMMARY.

[1](#)2. (C) On September 24, Economic Officer met with Turkmen Central Bank Deputy Director Dovlet Ahatov and Head of the Banking Supervision Department to discuss Turkmen financial reforms. Ahatov stressed that Turkmenistan's unification of its currency, the manat, in January 2009, was extremely successful, and this one reform has stabilized the entire Turkmen banking sector. He added that technical assistance from the IMF, other international financial organizations, and foreign embassies in Ashgabat was key in achieving this reform ordered by President Berdimuhamedov. He underscored the importance of additional reforms, while maintaining that Turkmenistan's economy remained insulated from the global economic crisis, and that Turkmenistan's monetary reserves were healthy.

BANKING SERVICES REFORMS

[1](#)3. (C) Head of the Banking Supervision Department at the Turkmen Central Bank Halmurad Orayev was given the floor to

discuss current banking reforms. Orayev claimed that the Turkmen President is paying a lot of attention to the Turkmen banking sector, and has called for continued reforms. Among these reforms, Orayev added, are increased services and better customer service. He admitted that the presence of more foreign businesses in Turkmenistan has generated repeated calls for more Western banking services and training for bank employees that included attention to customer service etiquette.

14. (C) Orayev cited the pilot acceptance of visa debit cards at select state-owned bank branches as proof that Turkmenistan was open to providing new services. He also stated that the GOTX was negotiating a contract with Visa operations in Moscow which would provide debit cards to all qualified customers. He did not elaborate on what qualifications were, however. Orayev then told us that the ability to use credit cards in Turkmenistan was also being studied seriously by the Central Bank. He acknowledged the shock many foreign companies go through when they realize they cannot pay for expenses with a credit card in Turkmenistan, adding that government regulations for the use of debit and credit cards were near completion, and he expected a pilot program for credit card use to be launched after negotiations with Visa in Moscow were completed.

LAWS FIRST, REFORMS LATER

15. (C) Orayev asserted that there were many well-educated and "sharp" decision makers at the Central Bank, who understood the importance of modernizing Turkmenistan's archaic banking

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sector. At the same time, he explained that current banking regulations date back to legislation passed in 1993. As a result, he added, the Central Bank has spent several years developing new banking legislation that will allow for modernization and much-needed reforms. He then explained that the new legislation would call for more regulation and licensing of banks to combat corruption, giving the central Bank more control over financial institutions. He opined that increased government oversight would create more confidence in Turkmen banks, and allow the Central Bank to collect valuable data in order to suggest appropriate reforms to the President. Orayev was uncertain when the new banking legislation would be passed, but he hoped that the Parliament would begin reviewing it by the end of the year.

LOANS FOR HOUSING AND SMALL AND MID-SIZED BUSINESSES

16. (C) Central Bank Deputy Chair Ahatov described state-sponsored loans as a necessary component of the Turkmen President's policy to provide quality housing to all Turkmen citizens. He explained that the government owns apartment buildings and priority for buying apartments is given to government employees. In addition, he praised the Bank's five percent interest rate for 30 years as one of the best bargains in the world. He admitted that down payments for such loans were 30 percent of the cost of the home, but he did not think that was cost prohibitive for most Turkmen (ref A). When asked why many new apartment buildings in Ashgabat are reportedly empty, he stated that people are still learning about loans, and if they do not work for the government they have to wait longer for an apartment to become available. He added that the government subsidizes utilities for all Turkmen citizens, claiming that Turkmen pay "pennies" for electricity, gas, and water, which allows Turkmen home owners to afford the low interest mortgages.

17. (C) Ahatov also praised President Berdimuhamedov's push to assist small and mid-sized businesses (SME), referring to recent legislation passed on August 22, 2009 (ref B). He stated that this legislation provides for increased development of SMEs by 2010, adding that SMEs currently represent 7 percent of Turkmen businesses, but the new SME legislation is "sure to drive that percentage of SMEs up by

2010." When asked how much money SMEs were required to put down to receive government subsidized loans, Ahatov stated it was 30 percent of the project's total cost--the same percentage homeowners have to pay.

18. (C) COMMENT. The meeting with Central Bank officials underscored the GOTX's dilemma of trying to bring Turkmenistan into the financial, modern world without having to give up its tight control. Even though the government hails SME and banking sector legislation as progressive, in reality these reforms do little for the average Turkmen. Nevertheless, if people in Ashgabat can begin using debit cards and credit cards in the nearest future, it will be seen as a big step in the right direction by many. END COMMENT.
CURRAN